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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Telephone Number Portability)	CC Docket No. 95-116
Cost Classification Proceeding)	
)	RM 8535

REPLY TO OPPOSITION

I. INTRODUCTION AND SUMMARY

Ameritech files its Reply to the Opposition of AT&T filed against Ameritech's Long Term Number Portability (LNP) Tariff. Ameritech shows that AT&T -- the only party to oppose its filing -- mischaracterizes and misunderstands Ameritech's filing. It is clear that Ameritech's proposed LNP Tariff, and the related cost support comply with the Commission's Third Report and Order¹ and the Bureau's LNP Cost Classification Order² in this Docket. In particular, the costs Ameritech seeks to recover are all forward-looking, direct costs of LNP, which are incremental to LNP and meet the two pronged test specified by the Bureau in its LNP Cost Classification Order.

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¹ Telephone Number Portability, CC Docket 95-116, RM 8535, Third Report and Order, released May 12, 1998 (Third Report and Order).

² Telephone Number Portability Cost Classification Proceeding, CC Docket 95-116, RM 8535, Memorandum Opinion and Order, released December 14, 1998 (LNP Cost Classification Order).

II. RESPONSE TO OPPOSITION

1. THE COMMISSION AUTHORIZED THE RECOVERY OF OSS COSTS THAT MEET THE TWO PRONGED TEST FOR LNP ELIGIBILITY.

AT&T claims at page 4 of its Petition that Ameritech's LNP Tariff should be suspended or rejected because "Ameritech's filing complies not with the LNP Cost Classification Order, but with the requirements that Ameritech's petition for review of that order argues the Commission should have adopted" AT&T is mistaken on two counts. First, Ameritech's LNP Tariff Filing does comply with the requirements of the Commission's and Bureau's Orders. Second, Ameritech's LNP Tariff Filing does not rely on issues it is asking the Commission to reconsider.

Apparently, AT&T has failed to read Ameritech's Petition for Clarification or Rehearing, or it would realize that the Petition seeks clarification by the Bureau of its Cost Classification Order, not reconsideration. Ameritech asks the Bureau to confirm that it intended to require that recovery of OSS costs be limited to those costs that meet the "but for" and "in the provision of" tests. As explained by Ameritech in its Petition, this common sense understanding of the Bureau's Cost Classification Order is internally consistent with that Order, with the Commission's Third Report and Order and with Section 251(e)(2) of the 1996 Act.

Ameritech's Petition for Clarification or Rehearing explains the requirements for recovery of OSS costs. Ameritech will not repeat its Petition here. However, in summary, Ameritech simply sought clarification that the Bureau's Order permits recovery of the incremental portion of the joint costs of equipment, facilities and software required to adapt OSS to provide LNP. The Bureau has reached a logical and reasonable approach for recovery of these joint costs in paragraphs 22-30 of its Cost Classification

Order. However, there is general language in paragraphs 7-14 of that Order that could if taken out of context, as AT&T has done, be construed as denying recovery of all OSS, even those that are incremental to LNP. Therefore, out of an abundance of caution, Ameritech sought clarification of this point.

Tellingly, the language AT&T takes out of context from paragraph 12 of the Cost Classification Order does not purport to disallow OSS expenses. Rather, in that paragraph, the Bureau requires that incumbent LECs “distinguish” costs for the “narrowly defined portability functions from costs incurred to adapt other systems to implement LNP” As required, Ameritech has distinguished these OSS costs, and explains in detail why each cost was required to provide LNP, and how it is involved in the provision of LNP.

A determination that the provision of LNP does not include OSS functions would ignore the fact that LNP could not be provided unless these incremental OSS costs were incurred. Therefore, in the absence of the obligation to provide LNP, these OSS costs would not “ordinarily” have been incurred.³ In all cases but one, Ameritech shows that these costs relate to specific equipment, facilities or software that were required solely as a result of LNP and are dedicated to it. In the other case, the modification was required as a result of LNP, but it does benefit other services. As a result, the cost was allocated between the LNP and non-LNP functions in accordance with the methodology specified in paragraphs 23-29 of the Cost Classification Order.

Appendix C of Ameritech’s Description & Justification demonstrates that the OSS functions for which it seeks recovery are an essential component of the “provision

³ See, Third Report and Order para. 73.

of" number portability, and qualify for cost-recovery through the federal number portability charges under Section 251(e)(2) of the Act. The Commission itself has recognized the fact that access to OSS is an integral part of the provision of number portability.⁴ For example, the Commission held when a BOC demonstrates its provides LNP "[w]e also would expect to review evidence demonstrating that the BOC will provide nondiscriminatory access to OSS to support the provision of number portability."⁵ (Emphasis supplied.)

2. AMERITECH SEEKS RECOVERY OF FORWARD-LOOKING, INCREMENTAL LNP SIGNALING COSTS, NOT EMBEDDED COSTS.

In its discussion of the alleged recovery of embedded costs at page 5 of its Petition, AT&T incorrectly asserts that "Ameritech states that it has 'determined that it would not have to add (signaling) capacity to handle wholesale queries' ". AT&T argues that this "statement" contradicts Ameritech's claim in its Description & Justification that its LNP signaling costs were determined based upon new incremental LNP traffic. Not only does AT&T take this statement out of context, but it adds the word "signaling" which changes the content of Ameritech's statement. In order to clear up this misinformation, Ameritech points out that the statement in question is limited to the mated pairs of SCPs, and does not apply to the signaling network in general. The matter is discussed in detail at page 7 of the Description & Justification, a section that AT&T chose to ignore.

⁴ See, Application of Ameritech Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services In Michigan, Memorandum Opinion and Order, released August 19, 1997, ("Michigan 271 Order") at paras. 342, 132, and Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana, Memorandum Opinion and Order, released October 13, 1998 ("Second Louisiana 271 Order") paras. 293,134-137.

⁵ See, Michigan 271 Order para. 342, and Second Louisiana 271 Order, para. 144.

Throughout its Description & Justification Ameritech has repeatedly made it clear that it only seeks recovery of the incremental forward looking costs of LNP. Ameritech explicitly states at page 10 of its Description & Justification that "Ameritech's cost study methodology reflects the total service long run incremental costs (TSLRIC) of 'providing' LNP." (Emphasis supplied.) Specifically regarding signaling, Ameritech specifies at page 7 of its Description & Justification that "Ameritech has identified the cost to be allocated to LNP by determining the additional equipment, facilities, or capacity required to support that new LNP-generated traffic, and is only seeking to recover those costs." (Emphasis supplied.) Also, at page 16 of its Description & Justification, Ameritech further clarifies that, "[t]he capital investment source (for the SSPs, STPs and Links) was the standard SS7 cost model that calculates the cost per additional new unit of traffic on the network." (Emphasis supplied.)

Consequently, the cost model used to calculate LNP signaling costs only looked at the average incremental, forwarding looking costs of supporting new LNP signaling traffic, and does not reflect embedded costs. It is a surrogate for determining in each case the equipment and facilities that would be added to support specific additional demand. It is, thereby, a cost-effective levelizing approach that avoids dislocations that would result if individual studies were performed on an office-by-office, STP-by-STP, and link-by-link basis. This is because new STPs and other SS7 network equipment and facilities are very expensive and support large volumes of traffic. Therefore, the traffic that causes the need to add or augment signaling equipment and facilities would recover an inordinate amount of cost, while other identical traffic would escape with little or no cost. To avoid such a discriminatory result, the methodology used by Ameritech in this filing

has been universally used by it for many years to calculate forward looking incremental signaling costs. It is also the generally accepted methodology for calculating forward-looking, incremental signaling costs both before this Commission and state commissions, including for retail services, access services, and unbundled network elements. For the sake of consistency, and to avoid possible double recovery and discrimination, this methodology was used here.

3. AMERITECH PROVIDED THE REQUIRED LEVEL OF COST SUPPORT WITH ITS FILING.

AT&T next complains at page 6 of its Petition that Ameritech did not provide "any support for its calculations" of its costs per query. Again AT&T is mistaken and ignores the extensive support material that Ameritech included with its Description & Justification. In Ameritech's cost study material filed with its Description & Justification, it included detailed backup which shows its cost per query and a breakdown of individual costs into six elements for end office queries, tandem queries, and a total weighted average, as applicable. This cost backup was provided to AT&T as proprietary data under the terms of a confidentiality agreement.⁶

As approved by the Bureau at paragraph 19 of the Cost Classification Order, Ameritech utilized the "study plan outlined by Ameritech in the appendices to its comments" filed in this matter on August 3, 1998. In fact, in that same paragraph of its Order, the Bureau found that Ameritech's approach is "the type of cost support study that we believe will be necessary to support and review the federal LNP charges."

⁶ See, Chart 2b, page 17; Chart 3b/4b, page 14; Chart 5b, page 14; LNP Surcharge Cost Study page 25; and Wholesale Cost Per Query Cost Study, pages 24 and 25.

4. AMERITECH'S OTHER DIRECT COSTS ARE FULLY DESCRIBED.

At pages 10-11 of its Petition, AT&T cites to what it refers to as "other flaws". Three of these issues relate to Ameritech. First, AT&T states at page 10 of its Petition that "74% of its database access and 51% of the query rate" are comprised of "Other Direct Expenses". Although it is unclear what AT&T is concerned about, perhaps it is suffering from the same confusion regarding the contents of this cost category that was raised in the comments filed in opposition to Ameritech's January 30, 1998 Direct Case for the Query Service. There, uncertainty was expressed as to what cost components make up "Other Direct Expenses". In its February 27, 1998 Reply Comments, Ameritech fully responded to this concern and described in detail the costs that are included in this category and demonstrated that they are all incremental direct costs of LNP. Ameritech's Description & Justification at page 13 also specifies the cost components included in its cost studies. Other Direct Expenses are Expenses (Regional, State, End Office, Tandem), Administration Expenses and Implementation Expenses (Billing). Apparently, AT&T failed to read or chooses to ignore these responses to its question.

5. THE LNP TRACKING SYSTEM IS NOT A COMPUTER-BASED COST MODEL.

Second, at page 10 of its Petition, AT&T faults Ameritech for allegedly not providing more information regarding its "LNP Cost Tracking System". AT&T asserts that Ameritech's cost support is, therefore, inconsistent with the "LNP Cost Classification Order" which requires the disclosure of computer cost models. AT&T is mistaken and apparently has again not carefully reviewed Ameritech's Description & Justification

before making an unfounded allegation. Otherwise, AT&T would know that the LNP Tracking System is not a computer-based cost model at all.

At page 9 of the Description & Justification, Ameritech explains that the LNP Cost Tracking System is an accounting mechanism that consolidates and summarizes LNP cost information found in several of Ameritech's financial systems. Ameritech never characterized the LNP Tracking System as a computer-based cost model, and there is no requirement or need to provide the information AT&T seeks.

6. AMERITECH HAS CORRECTED THE ERROR IN ITS CALCULATION OF LNP DEMAND.

Third, at page 11 of its Petition, AT&T points out an "arithmetic error" that allegedly "reduces the total lines over which Ameritech spreads its query charges by approximately 5%." Although AT&T makes two errors in its representation of Ameritech's data⁷, upon review, Ameritech agrees that it did make an arithmetic error that effected its calculation of its LNP monthly charge. Ameritech has corrected that error and intends to seek special permission to file a revised LNP Tariff making that correction. The correction will result in a \$.01 reduction in the LNP Monthly Charge to 41 cents, a reduced ISDN Prime Monthly rate of \$2.05 (5 X \$.41) and a reduced PBX Trunk Monthly rate of \$3.69 (9 X \$.41).⁸ The revised tariff page is attached as Attachment A.

⁷ At page 11 of its Petition AT&T shows the following numbers from Ameritech's Chart 1:

	1999	2000
Total Retail Lines	21,036,149	22,768,019
Total Resale Lines	2,287,665	3,099,238*
Unbundled Ports	2,008*	4,701
	20,993,238	23,284,760

The two numbers noted with an asterisk are in error, and should be 2,006 and 3,099,236.

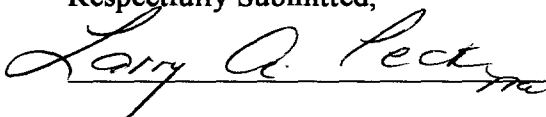
⁸ The corrected data and totals are as follows:

	1999	2000
Total Retail Lines	21,036,149	22,768,019

III. CONCLUSION

For the above reasons, Ameritech's LNP Tariff filing should go into effect, as filed, except that Ameritech will seek special permission to revise its proposed LNP Tariff to reduce its LNP Monthly Charge to \$.41, its ISDN Prime Monthly Rate to \$2.05 and its PBX Monthly Rate to \$3.69.

Respectfully Submitted,



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Date: January 27, 1999
 [LAP0244 LNP Reply]

Total Resale Lines	2,287,665	3,099,236
Unbundled Ports	<u>2,006</u>	<u>4,701</u>
	23,325,820	25,871,956

The corrected demand forecast was then used as the divisor to obtain the corrected LNP Monthly Charge of \$.41.

Ameritech's Reply To Opposition
 CC Docket No. 95-116
 January 27, 1999

Attachment A

ACCESS SERVICE

4. End User Access Service and Presubscription (Cont'd)

Sy

4.7 Service Provider Number Portability Service (SPNP) Monthly Charge (Cont'd)

The SPNP Monthly Charge will be assessed on a per network access line, per resold line or per switching port basis. The rate commences on the effective date of this tariff and continues for sixty (60) months.

All States	Monthly Rate	
- SPNP Monthly Charge		
- per network access line, resold line or switching port	\$.41	Rx
- SPNP Monthly Charge - ISDN Prime		
- Per ISDN PRI line, resold ISDN PRI line or ISDN Prime Trunk port	2.05	Rx
- SPNP Monthly Charge - PBX Trunk		
- Per PBX trunk, resold PBX trunk or DID trunk port	3.69	Rx Sy

x Issued under authority of Special Permission No. XX-XXX.

y Material scheduled to become effective February 1, 1999 under Transmittal No. 1186.

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CERTIFICATE OF SERVICE

I, Edith Smith, do hereby certify that a copy of Ameritech's Reply To Opposition has been faxed to the parties listed on the attached service list, on this 27th day of January, 1999.

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